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SUMMARY RECORD OF THE 3rd MEETING

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President: Mr. Seung Kon LEE (Republic of Korea)

CONTENTS

Agenda item		*Paragraphs*
-	Statement by the President of the UNIDO Staff Union	1
5	Report of the Programme and Budget Committee:	
	(a) Implementation of the programme and budgets, 1996-1997	
	(b) Financial situation of UNIDO	
	(c) Report of the External Auditor, financial performance report and programme performance report for the biennium 1994-1995	
	(d) Financial regulations	2 - 25
	(e) Industrial Development Fund and other voluntary contributions	
	(f) Ceiling of assessments	
	(g) Withdrawal of the United States of America from UNIDO	
10	Medium-term programme framework, 1998-2001 (including general ceiling for the biennium 1998-1999)	

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CONTENTS (*continued*)

Agenda item		*Paragraphs*
6	Second Industrial Development Decade for Africa	)
7	Industrialization of the least developed countries	) 26 - 182
8	Field representation	)
9	Industrial investment promotion	)
11	Joint Inspection Unit	183 - 185
12	UNIDO contribution to the System-Wide Action Plan on Drug Abuse Control	186 - 190
13	Personnel matters	)
14	Appointment of Managing Directors	) 191 - 226

The meeting was called at order at 3.25 p.m.

STATEMENT BY THE PRESIDENT OF THE UNIDO STAFF UNION

1. **Mr. ANESTIS** (President, UNIDO Staff Union), having expressed the staff's appreciation of the Member States' cooperation with the Organization, said that the staff of UNIDO had recently, and on an exceptional basis, addressed a letter to all Member States, in a consolidated effort to reiterate their unconditional belief in the Organization's work and mission. UNIDO was ideally placed to contribute to the implementation of the new global cooperation. Its main assets were its skilled workforce, strong institutional structure and clear set of priorities. Its staff contributed daily to the development of the industrial sector on a global scale, something that was essential to ensuring and sustaining the socio-economic development of developing countries and countries with economies in transition. The staff had served and continued to serve UNIDO remarkably well. The Staff Council would continue to seek to ensure the equal treatment of all staff. Given the tools and resources, UNIDO had the ability to fulfil its mission but it had to receive active acceptance and support. Member States must provide further guidance and advice on the work to be done by UNIDO in serving the needs of its constituents. Finally, the necessity of remaining united was stressed.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE:

(a) REVIEW OF THE IMPLEMENTATION OF THE PROGRAMME AND BUDGETS, 1996-1997

(b) FINANCIAL SITUATION OF UNIDO

(c) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1994-1995

(d) FINANCIAL REGULATIONS

(e) INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS

(f) CEILING OF ASSESSMENTS

(g) WITHDRAWAL OF THE UNITED STATES OF AMERICA FROM UNIDO

(IDB.16/2, IDB.16/3, IDB.16/4, IDB.16/5 and Corr.1, IDB.16/6, IDB.16/7, IDB.16/8, IDB.16/9, IDB.16/10 and Add.1 and 2 and corrigendum, IDB.16/21, IDB.16/22, IDB.16/24; IDB.16/CRP.2, IDB.16/CRP.6)

MEDIUM-TERM PROGRAMME FRAMEWORK, 1998-2001 (INCLUDING GENERAL CEILING FOR THE BIENNIUM 1998-1999) (IDB.16/23 and Add.1)

2. **Mr. INGRAM** (Officer-in-Charge, Division of Administration), introducing agenda item 5, said that the report of the Programme and Budget Committee contained in document IDB.16/24 followed the standard format. The body of the report covered agenda items 4 to 14 inclusive and related items had been grouped within sections of the report where appropriate. The two annexes to the report contained statements by delegations and a list of documents submitted to the twelfth session of the PBC respectively.

3. Introducing item 10, he said that the revised draft medium-term programme framework, 1998-2001, as contained in IDB.16/23, had been submitted to the Board in accordance with decision IDB.14/Dec.27. Although the availability of resources had changed significantly following the withdrawal of the United States of America from the Organization, UNIDO had been able to respond to the budgetary shortfall in such a way as to essentially maintain the delivery of substantive services. That was an important assumption in the revised medium-term project document which had been adjusted to reflect important new developments including the adoption by UNIDO of the new thematic priorities. It now included a section on the Organization's technical cooperation function and described some important programmes, including the integration of women in industrial development, private sector development and economic and technical cooperation among developing countries, which cut across all the thematic priorities. The document also set out UNIDO's regional priorities in the medium term and presented the Organization's approach to financial resource mobilization. It also contained a section on field representation, which was to be seen in conjunction with document IDB.16/19.

4. **Ms. DOBREVA** (Bulgaria) said that the successful development and implementation of the medium-term programme framework (1998-2001) would help UNIDO to respond to the new industrial challenges and the needs of the developing countries and the economies in transition. The programme should be in line with UNIDO's main goals and give special emphasis to areas including investment promotion and environmentally-sustainable industrial development.

5. The restructuring of industry in Bulgaria was an important aspect of its economic reform. Particular attention was being paid to the objective of developing and financing a strategy for structural reforms, and attracting foreign and local investment was a priority.

Since the launch of the reform, the economic structure had changed significantly. The improved terms of trade, liberalization of the foreign trade regime and harmonization of foreign trade regulations with European Union standards had created favourable conditions for Bulgarian industries. In 1995, more than 50 per cent of Bulgaria's exports had gone to countries in Western Europe. Bulgaria had also finalized its negotiation process for accession to the World Trade Organization (WTO).

6. The lack of investment was a major problem in Bulgaria's industrial development and the construction of many industrial units had been frozen due to lack of funding, even though the equipment and machinery had already been delivered. Furthermore, a number of industries, including the chemical industry, agro-based industries, electrical engineering and electronics needed to update their equipment. Economic and technical expertise was proving increasingly useful in improving the policy-making capacity of several of the leading branches of industry in Bulgaria. The scope of the activities and projects that could be considered jointly by UNIDO and individual Member States within the framework of the medium-term programme was extremely broad.

7. Member States should continue to make every effort to meet their financial obligations. Despite Bulgaria's enormous financial difficulties, it had paid its assessed contribution for 1996 in full and on time. With regard to financial resource mobilization, she said that special emphasis should be placed on expanding cooperation between UNIDO, recipient countries, donor States and specialized funding agencies. In Bulgaria's understanding, the effect of UNIDO's cooperation with recipient countries would be more efficient if UNIDO, within the framework of the medium-term programme, refined its performance in the full closed cycle of industrial services. Resources released from low-priority programmes could be considered for reallocation to facilitate the industrial development of States facing specific economic problems linked to the implementation of Security Council trade and economic sanctions. Finally, she assured the Board of Bulgaria's continued cooperation with UNIDO in furthering industrial development and economic prosperity.

8. **Mr. HOBEICA** (Lebanon), speaking on item 5 (e) ("Industrial Development Fund and other voluntary contributions"), said that it was clear that extrabudgetary funding was essential to enable UNIDO to assume its responsibilities and cope with the established priorities. Donor countries should be called upon to increase their contributions to the Industrial Development Fund to ensure the implementation of agreed programmes, and it might be necessary to adopt new approaches to arouse the interest of industrial countries. He supported the priorities adopted and the attention that it was proposed to pay, *inter alia*, to the promotion of global economic integration, environmental protection and the development of international competitiveness. His country was confident that focusing on the thematic priorities would encourage donor countries to increase their participation and would improve funds mobilization.

9. On item 10 ("Medium-term programme framework, 1998-2001"), he said that Lebanon welcomed the emphasis being given to UNIDO's dual role as a global forum for industrial development and a provider of integrated technical cooperation services. It supported the proposals of the Director-General set out in document IDB.16/23, particularly those relating to the strengthening of the global forum function and the provision of integrated services.

10. **Mr. PUIG PINO** (Cuba) said that the celebration of the thirtieth anniversary of UNIDO had been marred somewhat by the uncertainty surrounding the Organization's future and the prospects for industrial development. His delegation had thought that Member States could now congratulate themselves on the reforms implemented and concentrate on seeking the best ways of using the Organization's scarce financial resources. However, it was concerned to note that some Member States considered that the Secretariat's efforts to implement the reform did not go far enough, in spite of the 25 per cent reduction in the budget following the withdrawal of the major contributor, the heavy staff cuts, and the reduction of approximately 50 per cent in field representation, whereas the majority of Member States wished to see such representation increased. The Organization was now being asked to maintain a ceiling lower than zero real growth in preparing the draft programme and budget for the 1998-1999 biennium, without reducing its substantive programmes and activities.

11. His delegation did not share the view that the Organization's budget should continue to be reduced. UNIDO should continue to make savings and improve its structure, if the savings could be used to benefit the Organization's technical cooperation programme and other substantive activities. His delegation therefore supported the suggestion that there should be more flexibility in the use of funds, including unutilized balances from previous bienniums. That would enable UNIDO to continue to strengthen the reform process and ensure that it had at its disposal all the financial resources to promote industrial development.

12. **Mr. SHER** (Observer for Israel), having expressed his country's strong support for UNIDO's

specific actions in the newly industrialized developing countries, said that the development of industrial activities in rural regions was particularly important for economic, social and ecological reasons. It would help to slow down the rural exodus to urban centres, and would prevent concentrated pollution in industrial zones.

13. Israel was ready to become more involved in UNIDO's activities in the newly industrialized developing countries and, while welcoming the Organization's cooperation with the Golda Meir Mount Carmel International Centre for the Promotion of Women and Community Services in Israel, he would like to see UNIDO more actively involved in promoting industrialization in the region. The interest already shown by UNIDO in participating in the establishment of industrial parks should be developed.

14. Finally, he informed the Board that Israel had already paid its annual contribution for 1996 in full.

15. **Mr. CHAIRAT** (Observer for Thailand), speaking on item 5 (e) ("Industrial Development Fund and other voluntary contributions"), said that the approach to the programming of the Fund for 1997 and 1998 indicated in chapter II of document IDB.16/3 was appropriate under the current circumstances. Thailand fully supported the suggestion of the more developed countries helping their less developed neighbours within the context of South-South cooperation, and his Government had recently endorsed the establishment of the Indochina Fund in the 1996-1997 fiscal year, with the amount of 500 million baht (approximately $20 million) to be used to enable Thailand to assist its neighbours. The government budget would be allocated to the Fund annually.

16. With regard to voluntary contributions, Thailand had, for many years, been making small annual contributions to the Industrial Development Fund. In response to the appeals for more contributions from the more developed of the developing countries to support South-South cooperation, and in accordance with his Government's policy of helping its less developed neighbours, Thailand would increase its contribution to IDF. In 1997, its contribution would be $100,000, and it hoped to be able to increase its contribution in the future.

17. **Mr. SUWANDI** (Indonesia), speaking on item 5 ("Report of the Programme and Budget Committee"), expressed his delegation's appreciation to the External Auditor for her comprehensive report. He was pleased to note that the Director-General had responded positively by addressing some of the External Auditor's recommendations. He also welcomed her comments on programme performance for the biennium 1994-1995.

18. With regard to the financial regulations, his delegation shared the view that UNIDO should be more flexible in order to discharge its mandate. Further consultations would be necessary in order to consider thoroughly the proposed amendments to the financial regulations submitted by the Director-General.

19. As to the withdrawal of the United States of America from UNIDO, he had noted the intention of the United States of America to pay its arrears. He also welcomed the fact that the Director-General would hold discussions with the United States authorities.

20. Turning to item 10, he expressed the hope that the medium-term programme framework would be approved by the General Conference at its forthcoming session. However, his delegation trusted that the negative real growth of the budget for the 1998-1999 biennium would not constitute a precedent for the future. Finally, he welcomed the Director-General's intention to establish a revolving fund for sales publications, which would enhance the Organization's role as a global forum for industrial development.

21. **Mr. ADAM** (Belgium), speaking on item 5 (e) ("Industrial Development Fund and other voluntary contributions"), said that his Government had decided to focus its international cooperation on a small number of agencies. Belgium would, subject to parliamentary approval, make a contribution of 20 million Belgian francs to finance UNIDO projects in 1997. Further details concerning the allocation of the funds provided to specific projects would be discussed at a later date where necessary.

22. **Mr. INGRAM** (Officer-in-Charge, Division of Administration), responding to the discussion on items 5 and 10, said that the comments made by the Director-General in the Programme and Budget Committee covered some of the points raised at the present Board meeting. He welcomed the support that had been given to the medium-term policy framework, and expressed the Secretariat's gratitude to Thailand and Belgium.

23. **Mr. FAY** (Hungary), speaking on agenda item 10 ("Medium-term programme framework, 1998-2001"), said that it was important to maintain the basic substantive delivery capacity of UNIDO, and stressed the significance of UNIDO's global forum function for countries in transition.

24. The modernization programme in Hungary paid particular attention to accelerating the country's integration in the mainstream world economy and

improving business competitiveness. The country's industrial policy emphasized issues including the development of a competitive industrial structure, the importance of economic growth and the participation of foreign working capital. In that regard, UNIDO's cooperation with Hungary was of particular significance for the promotion of sustainable economic development. The framework and extent of that cooperation had recently been reviewed and UNIDO and the Hungarian authorities had agreed to increase their cooperation, which might take the form of seminars, expert group meetings and training programmes, and concentrate their activities on subprogrammes including privatization in transition economies, global competitiveness through modern industrial management methods and clean production technologies for environment protection. The implementation of the activities would be assessed within the framework of the Joint Hungary/UNIDO Committee.

25. Finally, it was the view of the Hungarian delegation that the medium-term programme framework would further increase the effectiveness of UNIDO's services.

SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA (IDB.16/15, IDB.16/16 and Add.1)

INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES (IDB.16/13)

FIELD REPRESENTATION (IDB.16/19)

INDUSTRIAL INVESTMENT PROMOTION (IDB.16/11)

26. **Mr. DEROY** (Managing Director, Country Programmes and Funds Mobilization Division), introducing agenda item 6, said that document IDB.16/15 updated document IDB.15/6 submitted to the Board at its previous session, and provided information concerning the activities undertaken by the Secretariat from May 1996. In addition, IDB.16/16 contained information regarding the preparations for and the launching of the Alliance for Africa's Industrialization.

27. The IDDA programme for the 1996-1997 biennium fell within the general framework of UNIDO's thematic priorities, and the preparation of the programme had also taken account of the programme of action adopted by the Conference of African Ministers of Industry (CAMI) at Gaborone, Botswana, in 1995. Emphasis had been given to questions and programmes concerning, *inter alia*, the definition and implementation of industrial development policies and strategies. Furthermore, special programming "windows" had been introduced to allow better allocation of resources and ensure continuity at the project impact level. It had also been decided that 50 per cent of programmable resources for the 1996-1997 biennium would benefit LDCs.

28. Despite UNIDO's financial difficulties, the overall IDDA allocation had not been reduced. The Secretariat would seek to ensure complementarity between the IDDA programme and the Alliance initiative.

29. Turning to agenda item 7, he said that industrialization of the least developed countries received high priority among UNIDO programmes. Delivery of technical cooperation to LDCs in priority programmes was at its highest level since 1993. UNIDO had made every effort to increase resource mobilization for the development and implementation of priority programmes and projects. At the end of October 1996, a total of $9.2 million had been approved for LDCs under all sources of funding, representing an increase of 37 per cent compared with the same period in 1995.

30. The decision of the Programme and Project Review Committee to allocate $5.7 million under IDDA resources to the LDCs in the African region was an unprecedented one and an important step towards implementation of Board decision IDB.15/Dec.7. The Alliance for Africa's Industrialization would also pay special attention to the LDCs in the African region.

31. A monthly report on the programming and financing of technical cooperation in the LDCs was being produced in order to draw attention to the priority to be given to the LDC programme and the available resources. In addition, all programme managers in UNIDO had been asked to clearly specify the LDC components in regional and global projects. Focal points had also been established in the different divisions in order to facilitate the preparation of LDC programmes and projects.

32. Turning to agenda item 8 concerning field representation, he noted that the Member States had repeatedly stressed the need for a strong UNIDO presence in the field and that the Secretariat had examined that question in detail in order to explore ways and means of strengthening such a presence at a time of diminishing resources and the imminent withdrawal of UNDP funding.

33. The new structure outlined in the Director-General's report (IDB.16/19) would enable the Director-General to develop, in consultation with Member States, a specific proposal for country coverage and siting of subregional field offices and, subsequently, to gradually implement the new approach over the following two years, ensuring a smooth transition.

34. As of 31 July 1996, UNIDO was represented in the field by 40 offices in Africa, four in the Arab States, nine in the Asia and Pacific region, two in Europe and the newly independent States of the former Soviet Union (NIS) and 11 in Latin America and the Caribbean. A total of 91 Professional staff members were in the field, including 26 UCDs, one UNIDO National Director (UND), eight National Programme Officers (NPOs) and 56 Junior Professional Officers (JPOs) and associate experts.

35. At a time when the demand for UNIDO services was increasing, field representation was severely hampered by the financial uncertainties due to the discontinuation of UNDP sectoral support at the end of 1997 and by the constraints imposed by zero real growth budgets. The provision for regular and operational budget resources in 1998-1999 at the current biennium levels would not be sufficient to fund the current field office coverage. In view of the financial situation, a new approach was required so that a realistically sustainable field representation system could be developed.

36. The counterparts for UNIDO's services had become increasingly heterogeneous. Today, UNIDO was working more closely with the private sector and with funding agencies. Accordingly, UNIDO field offices had to move away from their traditional emphasis on coordination, monitoring and representation functions, and concentrate on activities ranging from proactive promotion of UNIDO services to country-level funds mobilization, provision of information services directly to host country entities and direct support to technical cooperation.

37. Effective field teams must be built up that would be able to cover a wide range of functions and services, and the use of limited resources must be optimized through concentration on fewer but larger field offices. The new concept for UNIDO field representation was based on the principle of a network of two interconnected layers: subregional offices and national focal points. The subregional offices would be organized as multi-service providers for clusters of countries in various subregions. The subregional offices would be interconnected with national focal points in individual countries in order to ensure effective coverage.

38. The new proposed structure was aimed at optimizing the utilization of the resources available; achieving closer collaboration with national counterparts; creating the capacity to perform a number of activities in the field with a minimum level of Headquarters support; decentralizing authority to the field offices; and establishing a capacity to respond effectively and promptly to the requests received by UNIDO for assistance. The Secretariat considered that, with the new approach, the subregional offices would be better placed to respond adequately to the developing countries' needs.

39. **Mr. MARUNO** (Managing Director, Investment and Technology Promotion Division), introducing agenda item 9 concerning industrial investment promotion, said that the report before the Board (IDB.16/11) gave a detailed description of the wide range of programmes being implemented in that sphere and the various methodologies and tools applied. Improvements were called for in a number of areas which, because of their interrelated nature, should not be tackled in isolation from one another. More specifically, it was necessary to improve the quality of investment promotion activities, to establish a closer relationship between UNIDO Headquarters and IPS offices, to achieve greater integration between investment, technology and information-related activities, and to formulate a well-conceived and systematic follow-up programme.

40. Numerous discussions had been held both at Headquarters and with heads of IPS offices on the nature of the existing problems, the main aim being to overhaul the activities of the Investment and Technology Promotion Division (ITPD) with a view to offering improved services.

41. With regard to one of the key issues, namely the quality of investment projects that IPS offices were expected to promote, it was considered that UNIDO Headquarters should add value to investment project proposals to make them genuinely attractive to foreign investors. A number of measures had already been introduced to ensure the high standard of investment project profiles, including the assignment of former feasibility studies staff members to regional investment promotion groups for the purpose of screening projects, and the reworking of the investment project profile forms to meet the requirements of overseas investors more precisely. In addition, technical support for networking activities had been concentrated in the Industrial Information Section, which had rejoined ITPD in March 1996 in the interests of creating a critical mass in that area and integrating the Section fully within the divisional structure.

42. In general, the organizational and staff structure of Investment Services had been streamlined and flattened, the managerial levels being totally eliminated. That made for the more flexible use of limited resources in accordance with priorities. The changes introduced were being closely monitored in case further adjustment was necessary.

43. A number of ideas for further improvements in the functioning of the investment promotion network were being explored, one possibility being to invite IPS staff members to Headquarters to liaise directly not only within ITPD but also with other divisions. Such liaison could be considered an effective bridge between Headquarters and the IPS offices, as demonstrated by the Investment and Technology Promotion Initiatives (ITPI) in New Delhi, India, and the Walloon region of Belgium, as well as cooperation with New and Improved Technology (NIMTECH), a non-governmental organization (NGO) based in the United Kingdom.

44. His experience suggested that some IPS offices were reluctant to send representatives to investment and technology promotion forums, probably through lack of motivation and a preoccupation with operations that were independent of Headquarters. It was intended to monitor the activities undertaken by IPS offices more closely and to harmonize them with Headquarters work programmes.

45. As for the future, UNIDO possessed a number of capabilities, including sectoral, financial and promotional know-how, required for mobilizing funds and technologies for developing countries. Those skills should be interwoven into a single integrated investment and technology promotion programme.

46. **Mr. IZUMI** (Director of the Investment Promotion Service office in Tokyo, Japan) said that the Tokyo office concentrated on upstream investment activities, emphasis being placed on advising entrepreneurs and government officials in developing countries on how to go about obtaining Japanese investment for their projects. At the governmental level, workshops had been held to provide advice on the introduction of legislative measures aimed at attracting overseas investment. At the entrepreneurial level, assistance had been offered regarding skills helpful in negotiating with Japanese investors, a programme that had been focused mainly on neighbouring countries. Recently, missions had been organized by Myanmar, Indonesia and the Philippines, but newly formed Central Asian republics, such as Kyrgyzstan and Uzbekistan, were now being included. The following year, the programme would extend even further, with workshops planned for Jordan in February 1997 and for Kazakstan, the Association of South-East Asian Nations (ASEAN) and Mongolia in mid-1997 within the context of South-South cooperation.

47. As a parallel activity, the office was implementing an active delegates' programme, under which 14 delegates had been attached to it since January 1995. The aim, once again, was to extend the programme beyond neighbouring countries to other areas of the developing world, and delegates from Uzbekistan and Tunisia had already received training in Tokyo.

48. In each of the aforementioned programmes, the Tokyo office was now maintaining much closer contacts with Headquarters, on which it relied for advice on industrial policies and on technical matters in specific industrial sectors. Where possible, the delegates' programme was linked with an ongoing UNIDO programme in the field of investment promotion.

49. At the same time, Headquarters had undertaken a series of measures to ensure the rapid transmission of information between network services and with Headquarters, in particular through the installation of an electronic mail connection. Further improvements in coordination between the Tokyo office and Headquarters were expected in the coming year.

50. **Mr. GIOVANNELLI** (Director of the Investment Promotion Service office in Milan, Italy) said that, in its tenth year of operation, the Milan office had developed a strong orientation towards supporting the private sector with emphasis on assistance to the downstream stage of the investment cycle. The office thus provided assistance to prospective partners throughout the entire negotiation process from the search for partners to finalization of the joint venture agreement. In that last phase, vital assistance was offered through the Project Completion Facility, which enabled the office to develop feasibility studies and had been instrumental in accelerating the conclusion of a number of joint venture agreements. Such feasibility studies had proved crucial in facilitating the investment decisions of entrepreneurs, both in Italy and developing countries, and were a key factor in mobilizing the financial resources necessary to implement the project.

51. During the 1990-1995 period, a total of 30 projects had become operational with a total investment value of $95 million, while a further 35 projects were under implementation. Thus, during that period the office had been able to mobilize 15.95 dollars of foreign investment for each dollar spent, that so-called "investment-generation ratio" providing an indication of the effectiveness of the programme and its multiplier effect. Those statistics also indicated the orientation of the Milan office and the network as a whole towards small and medium enterprises in both developed and developing countries. In that respect, the UNIDO network, linking developed and developing countries, had the unique advantage of providing the private sector with an operational framework to establish contacts, develop cooperation agreements and mobilize financial resources.

52. The delegates' programme was a key element in stimulating the Italian business community's interest in the countries represented through the easy access offered to their investment potential. The Milan office had cast a wide net in attracting qualified delegates, with Latin America, Africa, Eastern Europe and Asia all being represented within the past 12 months. A strong Mediterranean programme involving Palestine, Morocco and Egypt had been developed, and it was also planned to increase the number of delegates from Africa in future.

53. Finally, the office had worked towards closer coordination with Headquarters and other IPS offices, notably those in Europe. For example, BORITEC (*Borsa per gli Investimenti e la Tecnologia*), an investment fair arranged annually by the Milan Trade Authority and other Italian bodies, as well as the European Union, for which UNIDO provided organizational support, showed the potential for interaction with other institutions. It also provided a venue for discussing investment opportunities in the developing world.

54. **Mr. AHOUA** (Côte d'Ivoire) said that the Alliance for Africa's Industrialization, whose inauguration his country had had the honour to host in October, was, like the Lagos Plan of Action and Final Act and the IDDA programmes, the manifestation of the international community's newly acquired awareness of Africa's continuing underdevelopment. In the face of the economic factors at play, exacerbated by globalization and the entry into force of the Uruguay Round agreements, a readjustment of industrial policies was called for in the interests of helping Africa's manufacturing industry to get off the ground. The challenge facing the international community was to enable Africa to derive maximum benefit from economic globalization rather than being marginalized.

55. To that end, all elements of civil society, in particular the private sector at both the national and international levels, should rally behind Governments in bringing about the necessary adjustments and, above all, building the production capacities needed to enable the African continent to firmly grasp the opportunities presented. That was his country's perception of the significance of the Alliance, which had been conceived as part of the United Nations Special Initiative for Africa.

56. The Alliance, which had received the support of the Organization of African Unity (OAU), the Economic Commission for Africa (ECA) and the African Business Round Table, had paved the way for a genuine partnership to lay the foundations for a strong economy. The Alliance presented a new opportunity for Governments, development partners and the private sector alike.

57. The task to be taken up now was to ensure that the Abidjan Declaration and the statements made at the launching of the Alliance did not remain empty words but were followed up by resolute and practical action. Success depended on the implementation of an effective follow-up mechanism, in which the African nations themselves, as primary beneficiaries, should be actively involved.

58. It was also a matter of great urgency that Africa be able to mobilize the funds required for industrial development, funds that were sorely lacking at present compared with its enormous needs. Here, it looked to the international community, especially its development partners and the private sector, without which industrialization was impossible. In that regard, he wished to thank all those speakers who had expressed their support for the Alliance.

59. It was up to Africans themselves to create conditions favourable to the mobilization of the resources required for the development of the continent. For its part, Côte d'Ivoire, whose ambition it was to join the club of newly industrialized countries one generation hence, would deploy every effort to ensure the lasting success of that enterprise.

60. Finally, he wished to express his gratitude to UNIDO for its untiring support of African industrial development and to its Director-General and his team for their commitment. It was his fervent hope that the Board would embrace as its own the important conclusions and aims of the Alliance.

61. **Mr. NICULESCU** (Romania), speaking on agenda item 9, said that after almost seven years of economic reform Romania had introduced the legislative and institutional measures necessary to make it attractive to major foreign investors. His delegation fully supported the increased emphasis placed by UNIDO on investment promotion activities and the efforts being made to improve the coordination of the emerging world-wide network of IPS offices, and it looked forward to Romania's insertion into the network in the foreseeable future.

62. Within UNIDO's current investment promotion programme, as described in chapter I of the report of the Director-General (IDB.16/11), Romania's priorities lay in the areas outlined in subparagraphs (c) and (d) of paragraph 5, namely the identification, formulation and screening of projects using UNIDO methodology and tools with the aim of ensuring the viability and financial/technical soundness of the projects, and the

promotion of investment projects, using not only the programme's focal points in different countries of the globe, but mainly its unique network of IPS offices.

63. He agreed that UNIDO should mainly target the small and medium-sized enterprises that were generally not equipped to respond to inquiries from industrial and financial concerns in developed countries. In that regard, projects aimed at the identification of attractive Romanian companies in a particular subsector and the elaboration of Industrial Investment Promotion Profiles and their presentation to potential investors in a particular geographical area could prove to be of great value. One element of such projects might be the provision of direct access to the World Investment Network Service (WINS), allowing continued investment information flow after project completion.

64. UNIDO was particularly well-placed to offer such services because of its neutral position and its role as a repository of valuable knowledge and experience relating to modern clean technologies. Moreover, access to UNIDO databases would allow Romanian industrial actors to better evaluate potential technologies in the light of their own requirements.

65. UNIDO should also concentrate its efforts on the identification of financial resources and provision of assistance to companies in the difficult process of obtaining investment loans. The Romanian experience of privatization showed that manufacturing concerns could benefit greatly from innovative schemes allowing them access to foreign financing. That process of investment fund mobilization should reach beyond international financing organizations to include the private financial sector. In fact, private financing could also be directed towards large infrastructure projects requiring considerable funds.

66. The build-operate-transfer (BOT) mechanism promoted by UNIDO could prove successful in generating viable, modern and efficient public investment not obtainable by other means, and could also help establish a clear and strict cost-benefit ratio without the assistance of State guarantees. The complexity of implementing such projects meant that UNIDO's elaboration of a comprehensive programme was extremely helpful. Its favourable position and comparative advantages enabled UNIDO to perform a multitude of tasks, ranging from the provision of initial advice to Governments to project management in all its different stages.

67. **Ms. RUIZ ZAPATA** (Mexico), speaking on agenda item 8, said that Mexico regarded UNIDO's field representation as a subject of particular importance. The many attempts made by the Board and the General Conference in the course of their deliberations to work out strategies for developing the field representation programme in a way commensurate with its importance had been thwarted by financial constraints. With the prospect of the imminent withdrawal of UNDP contributions, it was no longer possible to think in terms of continuing the current programme, let alone achieving the target of establishing 50 field offices. The proposal contained in document IDB.16/19, with its subregional focus, represented a more realistic approach and was to be welcomed. Her delegation understood that that proposal would provide better and broader coverage of countries with a lesser outlay of resources. The fine details of the new approach would need to be worked out in consultation with the Member States and the respective regional groups, and that process should be initiated as soon as possible.

68. **Mr. MARTINEZ ESPINDOLA** (Ecuador), speaking on agenda item 8, stressed the importance of field representation for ensuring UNIDO's effective presence in the countries concerned and genuine benefits for the Member States and the Organization. His delegation understood that the new approach to field representation was motivated by the withdrawal of UNDP funding and the reduction of the regular budget rather than any defect in the current programme, which was functioning more than satisfactorily within the financial constraints imposed. Ecuador, for example, had benefited greatly from the professional work done by the UNIDO office in Quito.

69. Referring to the statement made by the representative of Argentina at the first meeting of the session on behalf of GRULAC, he stressed the need for detailed study of the new approach, in view of its broad implications and complexity, with a view to determining how it could be further amplified or whether there might be a better alternative.

70. An intersessional consultation process should take place among Member States for the purpose of generating ideas which might assist the Director-General in formulating a concept enjoying the Member States' support. The Director-General should also work closely with the regional groups in order to draw up a proposal on the siting of UNIDO offices in the field and the geographical area covered by each. Having set out on new paths in so many different spheres, UNIDO should now apply its innovative thinking to the issue of field representation.

71. **Ms. RAHMATUNNISA** (Indonesia), speaking on agenda items 6, 7, 8 and 9, expressed her delegation's appreciation to the Director-General for his strenuous efforts in launching the Alliance for Africa's Industrialization, and noted with satisfaction his report

on the implementation of the UNIDO programme for the LDCs (IDB.16/13).

72. In view of Indonesia's successful development record, her Government recognized its duty to make its technological resources available to other developing countries, particularly the LDCs of the African region. Her delegation accordingly had the honour to inform the Board that the Government of Indonesia would be launching a technical cooperation among developing countries (TCDC) programme jointly funded with UNIDO. That programme was designed to be demand-driven and based on the needs of the LDCs in general and the African countries in particular. In the first quarter of 1997, it was planned to organize a Workshop on Small-Scale and Energy-Efficient Brickmaking Technology for the benefit of entrepreneurs and also various interested institutions in Africa. It was hoped in future to implement further programmes targeted at agro-industries and other priority sectors in Africa.

73. Regarding field representation, her delegation supported the reorientation towards subregional coverage, coupled with adjustments in functions and resource endowments. Given the reduced resources available to UNIDO for the 1998-1999 biennium, the outlined proposal seemed to provide a reasonable basis for reorganizing UNIDO's field representation programme. Her delegation welcomed in particular the planned concentration on 20 subregional offices, each with an increased staff backed up by national focal points; the principle of cost-sharing, with the host countries bearing one third of local operating costs; and the decentralization of UNIDO's programmed development and advisory functions to the subregional office. It was vital, however, that such concentration of resources should not take place at the expense of representation in the Asia and Pacific region, which currently had only nine of the 40 UNIDO field offices. Care should also be taken to assign a manageable number of countries to each subregional office, since each country had its own special needs and complexities.

74. Regarding the UNIDO Country Director (UCD) office in Jakarta, she pointed out that in 1996 her Government had doubled its local support contribution to that office and was thus sharing approximately 48 per cent of the costs, which was greater than the one-third share indicated. If that office were to be upgraded to a subregional office, other countries would be called upon to share its running costs.

75. Regarding the decentralization of programme development, it was to be hoped that adequate financial and human resources would be made available to support the new functions that it was proposed to assign to the subregional offices.

76. With respect to industrial investment promotion, her delegation fully supported the intention to maintain UNIDO's integrated and comprehensive programme based on developing countries' needs. Accordingly, it hoped that UNIDO would concentrate greater resources and efforts on mobilizing funds through bilateral, multilateral and regional cooperation and on expanding the World Investment Network Service.

77. **Mr. SHAH** (Pakistan), speaking on agenda items 8 and 9, said that, ideally, in the face of diminishing resources, UNIDO should explore alternative sources of funding for field representation. However, his delegation welcomed the Organization's swift response to the situation and offered it every possible assistance in maintaining a viable programme of field representation.

78. It was his delegation's belief that field representation offered the most effective mechanism for establishing direct contact between UNIDO and its beneficiaries and that it greatly facilitated project implementation and coordination. With regard to the new approach proposed, his delegation felt that the functions of the field officers needed to be further streamlined, but supported the subregional concept, which would not only make for wider regional coverage but would also strengthen regional cooperation, a concept to which Pakistan was committed. Moreover, countries with similar socio-economic conditions offered vast scope for economic cooperation at the regional level, which, in turn, benefited national economic integration. UNIDO field offices could provide assistance, in particular, by coordinating programmes in the spheres of infrastructure development and energy generation, which provided the basis for all industrial promotion activities.

79. His delegation appreciated the Organization's efforts in promoting industrial investment through its Investment Promotion Service. Like many other countries in the region, Pakistan had embarked upon a process of economic liberalization and deregulation, with the result that foreign direct investment had increased significantly over the past few years.

80. Pakistan was now in the process of establishing permanent communication links with a view to re-establishing traditional trade ties with the other countries of the region, and therefore welcomed cooperation aimed at encouraging foreign investment in the country as well as in projects extending beyond national boundaries.

81. **Mr. CHAUNY** (Peru) expressed his delegation's support for the statement made at the first meeting on behalf of GRULAC.

82. The Government of Peru congratulated the Organization and its Director-General, as well as Member States, on the thirtieth anniversary of UNIDO and on the virtual completion of the reform process. The Organization had well-defined objectives and priorities, it was administered by a better management and it was in a position to act effectively to promote global industrial development.

83. Referring to field representation, he said that such representation was the best indicator of the success of the Organization and the proposals for its improvement were welcome. His country supported the Director-General's proposal in document IDB.16/19, which stressed decentralization, strengthened human and financial resources, delegation of responsibility, the subregional focus and interaction with national focal points. The changes would undoubtedly improve the balance between the field and Headquarters.

84. An example of the human resources problem facing 13 of the 40 field offices was the situation of the office in Peru, which had been without a director since March 1995. That was all the more significant in view of the substantive projects being implemented by the Organization in Peru, concerned with the programme of privatization and integrated systems for industrial information and investment promotion. Future cooperation between Peru and UNIDO would be at a high level in the short and medium term, once the new industrial development programme guidelines had been established in Peru.

85. His delegation fully supported the proposed contacts between the Secretariat and Member States to define specific measures for subregional offices, as well as their location and other basic considerations. The Government of Peru would do its utmost to ensure that UNIDO representation in Peru attained the optimum level necessary to match Peru's industrial development needs with the UNIDO cooperation programme in the country.

86. **Mr. MOHANTY** (India) reiterated his Government's view that UNIDO could play a pivotal role in the speedy industrialization of the developing countries. There was an idea in some countries that, in a liberalized market-determined economic world, the national Government or an international organization had no particular relevance in matters such as industrialization promotion and other associated economic activities, which could best be left to market forces. Such an approach took no account of the realities of the international economic situation and the fact that many countries, mostly economically underdeveloped ones, needed information and analysis on investment and capital, technology, industrialization strategy and policies in order to make meaningful decisions and undertake effective action in economic and industrial development. They also needed technical assistance. There was a need for a specialized multinational agency with the capability and expertise to fulfil the needs of those countries. India saw a very useful role for UNIDO and fully supported the further strengthening of the Organization.

87. His delegation supported UNIDO's initiative regarding the Alliance for Africa's Industrialization. UNIDO should urgently start to implement projects and programmes in the framework of the Alliance in an integrated fashion, so that concrete results could be seen in the coming year. He was pleased to announce that India had decided to allocate $50,000 out of its special-purpose contribution to funding projects in Africa in the current year.

88. His delegation noted with appreciation the proposals regarding the reorganization of field representation. It was concerned that, due to non-availability of funds, the number of UNIDO Country Director offices would have to be reduced. His delegation welcomed the idea of subregional offices and focal points. The remodelling of field representation should be referred to an informal working group of the Board and the measures for increasing the efficiency of the field staff should be started at the earliest possible opportunity. The emphasis on work with the private sector through the field offices was welcomed.

89. Investment promotion, particularly promotion of foreign direct investment in the developing countries, was crucial to the all-round development of the industrial sectors of those countries. Foreign investment enabled countries to access capital, technology, management and marketing techniques from the developed world. That activity involved close participation by private-sector enterprises in the host and capital-exporting countries. UNIDO could play a pivotal role in accelerating foreign direct investment in developing countries. In the past three years, India had arranged a series of Intechmart programmes to bring India and foreign enterprises together to promote financial and technical cooperation. UNIDO had been closely associated with those programmes, but it might not be sufficient to limit UNIDO's role to organizing investment forums as a stand-alone activity. It was more important to provide follow-up, particularly in terms of the actual inflow of investment. His delegation felt that UNIDO could offer technical advice on the investment promotion policies of Governments in developing countries, with reference to foreign investment, on the basis of experience gained in the more successful countries.

90. **Mr. BURGERMEISTER** (Switzerland) said that the Swiss Government reiterated its support for UNIDO as it sought to reform itself. Switzerland was firmly convinced that ongoing efforts were needed to target UNIDO's activities. It hoped that the Secretariat would continue its efforts in a coherent and energetic manner. He looked forward to the future report by the Director-General on the impact of the reform, which should help to measure progress achieved.

91. His delegation thought it critically important to maintain the principal technical cooperation programmes because they kept UNIDO in close contact with industrial development in the developing countries and in the countries in transition. They also enhanced the credibility of the Organization among Member States and in the private sector. His delegation expressed satisfaction with the considerable efforts made, despite the budget restrictions. It had noted that the resources for the Second Industrial Development Decade for Africa and for the least developed countries had been maintained or increased in the current biennium.

92. The Swiss delegation commended the efforts of the Director-General and the Secretariat to strengthen UNIDO's field representation, which was one of the Organization's priorities. In the past, his delegation had stressed the need for effective decentralization of certain tasks, resources and responsibilities away from Headquarters, without increasing the budget. It therefore welcomed the proposals to redeploy staff to the field. The imminent termination of UNDP's financial contribution had impelled UNIDO to re-think its approach, particularly by calling on contributions from the host countries. His delegation supported the proposal to review field representation.

93. The delegation of Switzerland hoped that the discussions on the budget for 1998-1999 would not lead to damaging cuts in technical cooperation programmes, which would affect the very essence of the Organization, or hinder the reorganization of UNIDO.

94. **Ms. ALEMAYEHU** (Observer for Ethiopia) noted that, despite the financial difficulties facing the Organization, the overall IDDA allocation for the biennium had not been reduced. Pursuant to its mandate to promote and accelerate industrial development in developing countries, UNIDO had striven to make Africa a priority and the IDDA its main programme. The first IDDA programme had not been fully implemented and had not produced tangible results. Her delegation welcomed the Alliance for Africa's Industrialization. It was time for the IDDA to enhance its importance as an efficient and competitive programme. Africa's Heads of State and Government had rightly stated, in the Abidjan Declaration, that the Alliance for Africa's Industrialization was a dynamic mechanism to boost the programme for the Second Industrial Development Decade for Africa. With the advent of the twenty-first century, the Alliance was a fresh approach to African industrialization and the fact that the Alliance was to be synthesized with the United Nations system-wide special initiative for Africa gave it vitality and strength. The Alliance could also play an important role in the realization of the Lagos Plan of Action.

95. The Alliance was intended to encourage Africans to assume responsibility in industrial development programmes and it was imperative that the Alliance should be implemented in the specific context of Africa's needs. Projects should be designed on a national, subregional or regional level to fit Africa's situation and Africans themselves should generate ideas and plans. The industrially developed countries should provide technological know-how and financial support, as well as encouragement. Their help was crucial to the success of the Alliance. It was incumbent on the African countries to create a conducive atmosphere for the Alliance's programmes. UNIDO's role as a catalyst, facilitator and adviser might need reorientation.

96. Her delegation greatly appreciated UNIDO's performance and the progress in finalizing the Alliance in consultation with African Governments, OAU, ECA and the African Development Bank. The Alliance was an initiative by Africa, for Africa, in partnership with friends of Africa.

97. Her delegation had read with keen interest the Director-General's report on the industrialization of the least developed countries. The gap between developed and developing countries was widening and the least developed countries were increasingly marginalized. UNIDO could play a crucial role in helping those countries at such a critical time. UNIDO's thematic priorities focused on agro-industry development in the least developed countries. Ethiopia was an agrarian country and had adopted policies to achieve economic development through the linkage of agriculture with industry, and attached importance to programmes to promote agro-industry in Africa.

98. UNIDO could not fulfil its commitments without the backing of potential donors and it might be necessary for UNIDO to review its policy on funds mobilization for the industrialization of the least developed countries.

99. **Mr. BAIALINOV** (Observer for Kyrgyzstan), after thanking the Director-General for his report which gave a clear account of the problems, challenges and prospects facing UNIDO in one of its main activities, recalled that Kyrgyzstan had been among the first of the

States of the former Soviet Union to become a Member of UNIDO.

100. His country's interest in the Organization was based on its need to mobilize funds for industrial development, which included attracting foreign investment in its economy. It was in that area that Kyrgyzstan received all its assistance from UNIDO, and through the activities in question good business relations had developed between Kyrgyzstan and the Secretariat. In that regard, his country attached great importance to the UNIDO project for attracting Japanese investment in its economy.

101. On the whole, his delegation was highly appreciative of UNIDO's efforts to increase the effectiveness of the Investment Promotion Service, especially with regard to the quality and timely provision of services and their commercialization. It therefore supported the ongoing restructuring of the Investment and Technology Promotion Division. By contrast with other UNIDO units, that Division's work, in particular its investment services affecting Commonwealth of Independent States countries, relied heavily on the mobilization of resources in order to implement projects. His delegation was convinced that current problems regarding the funding of projects could be avoided if the Division had its own fund in which to accumulate the resources for the services it offered and if a mechanism for offering services on a contractual basis was created. His delegation therefore supported the Director-General's proposal to establish a UNIDO investment and technology promotion fund and looked forward to seeing more details on the proposed modalities of such a Fund.

102. Maintaining a market-oriented approach and satisfying UNIDO's clients meant not only increasing the staff's effectiveness but also continuing the structural reform of the Investment and Technology Promotion Division. In order to help achieve that, his delegation recommended the setting up of units responsible for preparing the basic technical-economic elements of investment projects and the initiation of cooperation with the World Bank organizations—the International Finance Corporation and the Multilateral Investment Guarantee Agency—for the preparation, promotion and funding of investment projects and investment guarantees. His delegation supported the efforts being made by Investment Services in that direction, and would like to see collaboration with those organizations considerably expanded.

103. UNIDO was the only organization of the United Nations system that not only offered assistance for the preparation and evaluation of investment projects at enterprise level, but also possessed a unique instrument for promoting them in the IPS network and the so-called "delegates' programme". His country would like the Investment and Technology Promotion Division to devise a detailed plan to enable interested countries to benefit from the delegates' programme. His delegation supported the Division's efforts to monitor the activities of the IPS offices more thoroughly. Also deserving of further support were the projects implemented jointly by UNIDO Headquarters and an IPS.

104. His delegation was also highly appreciative of the efforts to expand the IPS network by establishing partnership arrangements and concluding agreements with local administrative bodies in developed and developing countries, and with non-governmental organizations.

105. In conclusion, he said that Kyrgyzstan would like to expand its collaboration with UNIDO, mainly in areas related to the attraction of foreign investment in its economy. The activities developed in that area had so far been successful. Their future prospects depended mainly on the overall relationship between his country and the Organization.

106. **Mr. SOMOGYI** (Hungary) said he shared the view that investment promotion activity should be handled by UNIDO as an integrated programme. While all the elements were essential, practical considerations meant that, in countries with different levels of industrialization, certain phases of the integrated programme would require differing emphasis by UNIDO. From Hungary's perspective, the most valuable and promising part of the activity was the World Investment Network Service. The Service could be one of UNIDO's main contributions to global industrialization, but it could be effective only if the industrial sector-related knowledge in UNIDO was used by the network to better effect and if the Investment Promotion Service offices were in close contact with Headquarters. His delegation agreed that there was a need for better teamwork and better work quality.

107. Hungary was considering the establishment of an investment promotion office. Greater efficiency in the existing IPS network would strengthen arguments in favour of such an office. Hungary would be interested in promoting the transfer of technology and investment resources to and from the country.

108. His delegation urged the Investment and Technology Promotion Division to continue its efforts. Hungary would like an item on investment promotion to be included in the agenda for the next General Conference session.

109. **Ms. AGGREY-ORLEANS** (Ghana) said that her delegation welcomed the launching of the Alliance for Africa's Industrialization and the Abidjan Declaration. The Declaration was an affirmation of the importance which Governments in the African region attached to industrial development in their quest for durable solutions to Africa's current social and economic crisis. Ghana was ready to make an active contribution to the plan of action for the Alliance, which was expected to be adopted at the Conference of African Ministers of Industry in May 1997.

110. With only a few exceptions, Africa's achievements in industrialization were modest, in spite of the efforts made in the first IDDA and several other initiatives within the United Nations system. The situation demanded a new approach to the difficulties encountered by African countries in their industrialization efforts and to reverse the negative trends as a matter of urgency. Ghana welcomed the Alliance for Africa's Industrialization, which not only built on ongoing national, subregional and continental initiatives, but sought to offer a new conceptual approach which was well-focused and could serve as a framework for activities in the Second Industrial Development Decade for Africa.

111. The emphasis on the private sector as a partner in industrial development and as the main engine of growth was noteworthy, as were the other objectives, including capacity-building, industrial policy formulation, human resource development for industrial competitiveness, investment promotion and agro-industry for export and the domestic market.

112. Her delegation was confident that the Alliance would give much needed impetus to industrial development in Africa, provided that UNIDO and the international community continued to give Africa the requisite support. Such support, together with the commitment of African countries to the objectives of the Alliance, would be necessary to ensure that the Alliance did not remain mere rhetoric. The Government of Ghana fully supported the initiative, which was in line with its own industrial policy.

113. The Government of Ghana had sought to create a favourable economic environment for trade and investment through a new free zone programme to promote and encourage export manufacturing, as well as international services, such as banking, telecommunications and transportation. Ghana had also placed greater emphasis on the role of the private sector in industrial regeneration and had implemented a divestiture programme to reduce the number of State-owned enterprises. Another priority was human resource development in the industrial sector, with special emphasis on developing the managerial and entrepreneurial skills of women and the development of small and medium-scale enterprises. Such macro-economic policies had yielded some gains, but Ghana still required the assistance of UNIDO and the international community to hasten industrial development. The Alliance could provide the mechanism whereby such specific needs could be addressed. Ghana's situation was not unique and several UNIDO-sponsored industrial sector review and programme missions had revealed an urgent need to address the problem of low investment inflows into Africa. Strong partnerships and strategic alliances among African countries, financial institutions and development agencies needed to be forged to provide a new and dynamic approach to the Second Industrial Development Decade for Africa.

114. Her delegation urged UNIDO to pursue innovative financing and funds mobilization to meet the present levels and the future increases in demand for resources. The proposed country-specific funding approach was an interesting option, as it would link funds mobilization to identifying industrial development needs and priorities in specific countries.

115. **Mr. H.-J. LEE** (Republic of Korea) expressed his delegation's appreciation for document IDB.16/11 on industrial investment promotion. His country supported the agenda for future action, with follow-up activities, IPS network coordination and the delegates' programme. The Secretariat should endeavour to link investment promotion programmes with technology to maximize the impact of the programmes.

116. His delegation felt that the assessment of the forum organized in the Democratic People's Republic of Korea in September 1996, as set out in document IDB.16/11, was unfair because the forum had deviated from its goal of promoting investment in the area because of the refusal of the host country to allow the free and equal participation of representatives from the Republic of Korea, including government officials and journalists.

117. **Mr. CHAIRAT** (Observer for Thailand) said that his delegation attached great importance to UNIDO maintaining field representation in developing countries. It welcomed the restructuring of UNIDO field offices, as indicated in document IDB.16/19, in the light of the shortfall in UNIDO's contribution for that purpose. The criteria for the selection of host countries for subregional offices were very reasonable, but the approach should be implemented in close consultation with the Member States, particularly the host countries.

118. UNIDO had a field office in Bangkok, and Thailand also hosted the headquarters of the Economic and Social Commission for Asia and the Pacific, as well as regional offices of other specialized agencies. He foresaw no change in the Thai Government's commitment and support and said that all possible assistance would be rendered to UNIDO to enable it to maintain its office in Thailand.

119. **Mr. ISAKOV** (Russian Federation) said that UNIDO's assistance in attracting foreign investment into the Russian economy was still the main element of Russia's cooperation with the Organization. His country was highly satisfied with the work of UNIDO's Investment Services in that regard.

120. The attraction of investment and the transfer of technology were the two areas that most clearly demonstrated the results of the reform. The programme in question had demonstrated its flexibility and capacity to adapt in a timely fashion to the changing demands of its participants, and on a commercial basis. It had become more focused through greater emphasis on the attraction of investment for small and medium enterprises. In that particular area, it was important for UNIDO to demonstrate convincingly its comparative advantages over other international organizations and institutions and thereby establish its own niche in the system of international development aid.

121. The qualitatively greater scale of UNIDO's activities in that area were such that the investment services needed to be strengthened, in particular through the acquisition of suitable staff. Otherwise, there would be a danger that, after a promising start, the Secretariat would not have the manpower properly to implement ongoing and future programmes.

122. His delegation believed that the situation required the establishment of a single investment technology information service within UNIDO. The first step should be to set up a strong information service in the Investment and Technology Promotion Division linking all the existing UNIDO information networks.

123. His delegation would like to see the further strengthening of the IPS network and the programme under which delegates were seconded to network offices with a view to their promoting investment projects from their own countries with local business. A further useful development might be to rotate staff or at least establish short-term exchanges of staff between Investment Services and an investment promotion office.

124. His delegation was also in favour of strengthening cooperation with the organizations of the World Bank group in connection with the preparation, promotion and funding of investment projects and investment guarantees.

125. Within the same context, his delegation wished to endorse Investment Services' "business initiative" and other related activities.

126. Russia's Permanent Mission in Vienna was willing to play an active part in the implementation of such activities. Russia could contribute a considerable amount of experience to any such cooperation with UNIDO, but further refinement would be required and priorities would need to be set to take account of the changing investment climate in Russia and the needs of the end-users of UNIDO's services. In that connection, his delegation supported the Secretariat's policy of treating investment forums not as ends in themselves but as one element in a complex investment promotion programme. Such a programme should include the nursing of projects to the practical implementation stage as well as instruction for staff on how to attract investment. His delegation supported the related proposal to establish an investment promotion fund for financing measures to promote investment projects once they had been presented at forums, and considered that suitable proposals could be submitted for discussion by Member States by the next session of the Board. It was also important to place greater emphasis on the individualization of work through the selection of specific partners among potential investors and by linking projects to one or several interrelated branches of industry.

127. Russia attached great importance to the UNIDO Country Director programme, which was an important operational tool for enabling the Organization to identify and react in time to the changing needs of recipient countries. The strengthening of UNIDO's presence in the field was in line with the need to decentralize the activities of organizations of the United Nations system. Russia supported the Secretariat's new approach to field representation, which was based on a realistic evaluation of the amount of resources the Organization was able to allocate for such purposes. It had always supported the idea of creating subregional offices with broader functions, and had also advocated the need for recipient countries, wherever possible, to meet part of the local costs. Furthermore, it supported the Secretariat's idea of setting up national focal points and developing criteria for determining the location of subregional offices. Russia also favoured a system of rotation between Headquarters and the field, and a substantial increase in the powers of local office directors. His delegation trusted that the Secretariat would soon begin to put those ideas into practice.

128. **Mr. HOBEICA** (Lebanon) said that document IDB.16/19 gave clear information on the status of UNIDO's field representation and the aims for the coming biennium. His delegation was convinced of the importance of field representation in the developing countries and supported all reforms designed to enhance the offices and increase their staffing. The consolidation of offices on a regional basis should diversify services, cut costs and increase output. Lebanon was convinced that the Director-General's proposal represented an advance; dialogue with Member States would be essential.

129. The progress of developing countries was directly related to the availability of foreign investment and foreign technology. The investment promotion programme was a very important area of UNIDO's work in helping developing countries to industrialize and to globalize their economies. Lebanon fully supported the five phases of the programme. The Lebanese delegation approved UNIDO's projects relating to small and medium enterprises in developing countries, particularly with reference to the private sector. It applauded the use of tools such as pre-investment studies and the World Investment Network Service. The recommendations in the report should be implemented. UNIDO had an important role to play in the area of industrial investment promotion and it was important to ensure that resources were not squandered as a result of being distributed among too many agencies.

130. **Mr. ROFFE** (United Nations Conference on Trade and Development) said that his Organization cooperated closely with UNIDO in the field of investment promotion. He conveyed the greetings of the Secretary-General of UNCTAD on UNIDO's thirtieth anniversary.

131. The central theme of UNCTAD IX held in South Africa in May 1996 had been "A Partnership for Growth and Development"; UNCTAD had been called upon to assist developing countries and countries in transition in their appropriate integration in the international economic system.

132. UNCTAD was a forum *par excellence* for the discussion of strategies and policies for development in four areas: globalization and development; international trade; investments, technology and enterprises; and infrastructure for services and commercial efficiency.

133. UNCTAD's work in the field of investment was basically analytical and included a technical cooperation component resulting from the analytical work and the examination of policies on foreign investment. One result of that work was the annual publication of the World Investment Report.

134. UNCTAD IX had concentrated on the notion of a partnership for development, one aspect of which was more effective coordination and complementarity in the activities of international organizations.

135. Since Mr. Ricupero had taken office as Secretary-General of UNCTAD, cooperation between international organizations had been a major concern of UNCTAD. In that effort the Director-General of UNIDO had been an important ally. Two meetings had taken place between the secretariats of UNIDO and UNCTAD in 1996, the most recent of which had been the visit of the UNCTAD Secretary-General to UNIDO Headquarters in July.

136. The areas selected for cooperation between the two agencies covered investment promotion, cooperation between enterprises and technological training. The two organizations had chosen Africa and the LDCs as the focus for such cooperation. It was hoped that the intentions of the Director-General of UNIDO and the Secretary-General of UNCTAD in that field would be translated into concrete work.

137. **Mr. ZAIDE** (Philippines) congratulated the Director-General on presiding over the thirtieth anniversary of UNIDO. UNIDO could look back on 30 successful years, and now needed to slim down in order to be attractive to Member States.

138. He welcomed the Director-General's initiative in favour of complementary cooperation with UNDP and other relevant agencies in the field, where UNIDO's success was mainly to be measured. His delegation invited all donors, past donors and those who were reviewing their policy towards UNIDO to come to his country and see for themselves the successful implementation of programmes.

139. He expressed his personal and official concern over unconfirmed news reports that Germany, a pillar of UNIDO, might be reviewing its position towards the Organization.

140. On the subject of industrial investment promotion, he mentioned the training programme on export-oriented investment promotion assistance for Kyrgyzstan carried out under the UNIDO umbrella with Philippine experts and Japanese funding. He commended the efforts of the Managing Director of the Investment and Technology Promotion Division in bringing that programme to fruition in record time.

141. After a review of the programme, possibilities could be examined for its continuation, expansion and even replication in other regions, as an excellent example of TCDC in South-South, North-South and all types of cooperation for the benefit of all participants.

142. The Philippines had been successful in build-operate-transfer legislation and offered its experience in bridging the time element in providing the essential infrastructure for industrialization programmes.

143. He requested UNIDO's assistance in bringing together under one roof the design and manufacturing of garments and textile production.

144. He associated himself with the view that development should not only consist of official development assistance but should also include the proactive use of trade, investment, economic policy, debt relief, technology transfer and the development of the social infrastructure.

145. A visit of the Director-General and his delegation to Manila in December 1996 would offer an excellent opportunity to widen and deepen his Government's cooperation with UNIDO and to build upon relevant opportunities.

146. **Mr. KULEBA** (Observer for Ukraine) noted with satisfaction that most of the documents submitted for consideration at the present session testified to the new approaches adopted by UNIDO in performing its mission and radically restructuring its activities. Ukraine continued to value highly its involvement in such an authoritative international organization as UNIDO, which it viewed, now more than ever, as an important instrument for furthering genuine industrial development.

147. He expressed his delegation's appreciation of the Annual Report (IDB.16/10) and its confidence that UNIDO would continue to be able to offer new and competitive services to clients throughout the world. UNIDO's assistance to Ukraine was of exceptional importance at the present stage of the country's economic reform, and the Director-General's visit to his country and a number of other countries in transition in the region marked a milestone in the process of broadening UNIDO's cooperation programme.

148. At a time when Ukraine was faced with an acute deficit in the capital required for restructuring the economy, penetrating world markets and securing foreign sources of funding, the Ukrainian Government had succeeded in establishing the necessary legal framework for reliably protecting and deriving maximum benefit from its investments, and had approved a programme at the beginning of 1996 outlining the priority areas of its cooperation with UNIDO. In that regard, mention should be made of UNIDO's efforts to provide advice and technical assistance to countries in transition in the light of their actual capabilities.

149. His delegation also appreciated UNIDO's efforts in implementing the Second IDDA and would maintain its support for the practical assistance offered by UNIDO to make the IDDA a success. Active steps were currently being taken by Ukraine jointly with UNIDO to maintain the ongoing seminar based at the Paton Institute of Electric Welding in Ukraine.

150. For the majority of countries, including Ukraine, environmental issues were of the utmost topical relevance, a fact that was reflected in the many references in the documents to UNIDO's expanding activities in that area.

151. UNIDO deserved commendation for its achievements in the development and transfer of advanced technologies and the establishment of international research centres dealing with such technologies. In April 1997, Ukraine and UNIDO would be launching a programme entitled "New technologies in Ukraine" and the "Intechmart 97", which were already arousing great interest in a large number of countries. Regarding the preparations for the establishment of the international centre for hydrogen energy technologies (ICHET), he noted that extensive research work had already been completed to that end with the active involvement of Ukraine, which was one of the leaders in that field. In view of the importance of developing international cooperation in advanced technology transfer and avoiding duplication in such work, his delegation endorsed document IDB.16/26 regarding the establishment of ICHET.

152. UNIDO's programme directed towards assisting SMEs was of great importance for countries in transition and would contribute significantly towards the structural reform of the industrial sector and acceleration of privatization processes in those countries.

153. Regarding UNIDO's financial position, which was still a source of concern, his delegation supported the efforts deployed by the Director-General to improve the situation and agreed with the many other countries that had stressed the need for a solid financial as well as political basis for the Organization. Despite Ukraine's own financial difficulties, its lack of hard currency and the unjustifiably large increase in its assessed contribution, the Government would make every effort to honour its financial commitment to UNIDO.

154. **Mr. CLERISME** (Observer for Haiti) said that his delegation, representing the only LDC in Latin America and the Caribbean, particularly welcomed the effort being made by UNIDO on behalf of the least developed countries, and the fact that technical cooperation delivery to LDCs had increased. His delegation was also pleased to note the increase of

350 per cent in the total sum approved for LDCs for the reporting period, and the decision to allocate at least 50 per cent of available resources to LDCs in Africa.

155. His delegation greatly appreciated the assistance rendered by UNIDO to the Ministry of Trade and Industry in Haiti in enhancing its capacity to formulate industrial policies through the development of a national coordination and management tool. Such support was in line with UNIDO's priorities in the areas of capacity-building and human resource development, investment promotion, the promotion of small and medium enterprises, private sector development and energy and environment programmes.

156. His delegation was concerned about the withdrawal of the United States of America from UNIDO and other threatened withdrawals, which would have a negative impact on programmes for the least developed countries. Haiti would endeavour to pay its contribution and encouraged all Member States, including the least developed countries, to do the same.

157. **Mr. KAGODA** (Uganda) said that his delegation wished to be associated with the statement made by the representative of the Sudan on behalf of the African Group.

158. His delegation noted with sadness the withdrawal of the United States from UNIDO and the possible withdrawal of another major contributor. He appealed to all Member States, particularly the major contributors, to strengthen their support for the Organization, both politically and financially, so that it could realistically carry out the responsibilities that Member States had placed on its shoulders.

159. His delegation welcomed the mid-term review of the Industrial Development Decade for Africa. UNIDO should be congratulated on the successful launching of the Alliance for Africa's Industrialization, but his delegation would like to see the objectives of the Alliance and the Abidjan Declaration fulfilled. That would be possible only if the Alliance was adequately funded. He supported the representative of Algeria in appealing to the Director-General to rationalize the relationship between the Alliance and the IDDA programme, in terms of functions as well as funding, with a view to the smooth management of activities under the two programmes.

160. His delegation noted with appreciation that the industrialization of the least developed countries had high priority among UNIDO's programmes. It welcomed the 13 per cent increase in technical cooperation delivery to the least developed countries in 1996, compared with 1995. However, UNIDO Member States should not be comfortable with that level of performance, as it was still insufficient.

161. His delegation was aware of the need to ensure that industrialization was not at the expense of the environment and it strongly supported the establishment of an international centre for hydrogen energy technologies, which would greatly contribute to sustainable industrial development.

162. UNIDO was planning to reorient its field representation programme towards subregional offices, and the Ugandan delegation wished to caution that the offices should be chosen in consultation with the Member States in the subregion and that the criteria should be based on the needs of the country.

163. His delegation had noted with appreciation the Director-General's statement concerning the reservation of the post of Managing Director for Country Programmes and Resource Mobilization for Africa. It was to be hoped that the pledge would enable UNIDO to draw up relevant programmes for the Africa region, with more than half the world's least developed countries.

164. Consultations were going on in certain quarters to conclude a "multilateral investment agreement". That would be bad news for countries like Uganda. His delegation asked the Director-General to monitor such developments closely and warn Member States, particularly the least developed countries, in time for them to take appropriate action.

165. He reaffirmed his country's total support for UNIDO, which could provide a significant contribution to the industrialization of developing countries in general and Africa in particular.

166. **Mr. KARA** (Observer for the Czech Republic) expressed his country's appreciation for UNIDO's investment promotion programme. The programme was successful, effective and useful and it generated concrete and visible results. His delegation paid tribute to UNIDO and the Governments of those countries that had lent support to the Investment Promotion Service offices and expressed the hope that the programme would continue and even expand.

167. **Mr. KIM Gwang Sop** (Observer for the Democratic People's Republic of Korea) said that he wished to comment on the causes for the non-participation by government representatives of the Republic of Korea in the Investment Forum for the Rajin-Senvong Free Economic and Trade Zone held in September 1996.

168. There were three main causes for the problem. The Republic of Korea had originally pledged $300,000 of general-purpose funds under IDF for the Forum, but did not give permission to use the fund for the Forum, with the result that his Government had been obliged to use UNDP funds. That action by the Republic of Korea showed antipathy towards the Forum, so that it was doubtful what action its representatives would take during the Forum.

169. The Government of the Republic of Korea had selected only 20 businessmen out of the 300 who had hoped to take part in the Forum and had suggested that the delegation should also include 30 government representatives and journalists, making up 60 per cent of the delegation.

170. The most important factor was the crackdown by the Government of the Republic of Korea on a demonstration by students for peaceful reunification of Korea. High-ranking Government officials had alleged that the demonstration was connected with "North Korea".

171. Problems of accommodation had also forced the organizers to reduce the number of participants from 800 to 500.

172. He had been reluctant to raise the matter and hoped that the Democratic Peoples' Republic of Korea and the Republic of Korea would follow the path of conciliation, cooperation and reunification, according to the wishes of the international community.

173. **Mr. H.-J. LEE** (Republic of Korea) said that his delegation was disappointed at the unacceptable reply made by the representative of the Democratic People's Republic of Korea. However, he did not intend to reply in detail.

174. The politicization of the Forum had been entirely due to the Democratic People's Republic of Korea, which had broken repeated commitments to guarantee free and equal participation by excluding government officials and journalists from the Republic of Korea while allowing participation of such persons from other countries.

175. **Mr. DEROY** (Managing Director, Country Programmes and Funds Mobilization Division), replying to questions raised, said that the list of IDDA projects approved as of 30 July 1996, as mentioned in document IDB.16/15, was available for consultation in the IDDA Coordination Unit. The reason for the difference in the level of approval of YA (supplementary activities) and XA (technical cooperation) projects was that some YA projects had been brought forward from the previous biennium. Regarding the level of programme delivery for the previous biennium, 1994-1995, he said that $5,137,500 had been allocated to 52 XA projects, with an execution rate of 90 per cent, and $4,216,000 to 52 YA projects, with an execution rate of 84 per cent. Under short-term advisory services (STAS), 81 projects had been approved to a level of $1,183,200, with an execution rate of 88 per cent.

176. On agenda item 8, it had been suggested that UNIDO should initiate discussions with Member States to develop a field representation proposal on the lines of document IDB.16/19. The Secretariat intended to consult Member States and regional bodies to develop a concrete proposal for the gradual implementation of a new structure without interruption of ongoing activities.

177. It had been said that the views of the UCDs should be taken into account when the proposed restructuring in the field took place. There had indeed been greater communication with the field through Internet in the past seven months, allowing savings in telephone and fax communication. Eighty per cent of the UNIDO field staff were connected to the E-mail system and efforts were being made to raise the level even further, Africa being a priority. UNIDO had recently held a regional meeting of UCDs in Abidjan on the occasion of the launching of the Alliance for Africa's Industrialization. UCDs were aware of the proposed approach for the new field set-up and would continue to be fully involved.

178. Speaking at the first meeting of the session, the representative of the European Union had urged the Secretariat to consult Member States in preparing a specific proposal for the country coverage and location of subregional offices and had stressed that the level of expenditure under the regular budget should not be reduced. UNIDO welcomed the European Union's support and would proceed as suggested if the document was approved.

179. Attention had also been drawn to the need to deliver effective and efficient services meeting the needs of recipient countries. It had been suggested that the role of UCDs should be strengthened in terms of programme and policy advice. The Secretariat had noted those suggestions and would act accordingly.

180. He thanked the representative of India for the announcement that $50,000 out of India's voluntary contribution would be allocated to funding projects in Africa.

181. **Mr. MARUNO** (Managing Director, Investment and Technology Promotion Division) thanked all

delegations that had expressed their appreciation and support for the investment promotion programme. He hoped that the new initiatives would lead to significant improvements in the quality of UNIDO services.

182. Attention had been drawn to the importance of follow-up activities. The Secretariat was fully conscious of that question; indeed one of the basic objectives of the newly established investment and technology promotion initiatives in New Delhi was to follow up on the Intechmart organized during the previous year.

JOINT INSPECTION UNIT (IDB.16/12)

183. **Mr. TAKIZAWA** (Secretariat) drew attention to the contents of the Joint Inspection Unit (JIU) reports in documents JIU/REP/96/1, JIU/REP/95/2 and JIU/REP/95/12. The first of those reports had recommended that UNCTAD should avoid duplication of work with other bodies and should strengthen its technical cooperation activities. UNIDO recognized that need and had entered into a new partnership relationship with UNCTAD earlier in the year. The second report found that United Nations system organizations generally lacked a culture of accountability and issued a number of recommendations to remedy the situation. The UNIDO Secretariat was pleased to note that most of the recommendations had already been put into effect by UNIDO during the reform process.

184. The third report found that the New Agenda for the Development of Africa in the 1990s still had little impact on the ground. However, the launching of the Alliance for Africa's Industrialization was an important contribution to the implementation of the Agenda.

185. There had recently been growing concern about value for money in the work of JIU. Indeed, General Assembly resolution 50/233 called for a number of measures to improve the cost-effectiveness of the Unit. The Administrative Committee on Coordination had requested a review of the rules, function and input of JIU, to be carried out by an independent body in 1997.

UNIDO CONTRIBUTION TO THE SYSTEM-WIDE ACTION PLAN ON DRUG ABUSE CONTROL (IDB.16/14)

186. **The PRESIDENT** said that, although the main discussion of the item had been rescheduled for the next meeting, when an introductory statement would be made by a Secretariat representative, he would give the floor to the representative of Colombia, whose work commitments did not permit him to attend that meeting.

187. **Mr. BULA CAMACHO** (Colombia) said that it was important for the present session of the Board to consider the implementation of the Organization's reforms, the programme for the industrialization of the least developed countries and the Second Industrial Development Decade for Africa, a continent with which Colombia wished to express its solidarity. Colombia regretted the withdrawal from UNIDO of the United States of America, which had still to pay its assessed contributions, and requested the Secretariat to keep the Board informed on the matter. The UNIDO office in Bogota had proved successful and had cooperated with the Government of Colombia and it was important to take account of the work of such offices.

188. The UNIDO contribution to the System-Wide Action Plan on Drug Abuse Control was an important aspect of the Organization's work and should be reflected in concrete decisions with regard to the Organization's financial situation, its financial regulations and the medium-term programmes. The subject was of great interest to his country and Colombia would, in due course, be submitting to UNIDO a comprehensive proposal for work. While Colombia welcomed UNIDO's contribution to the Action Plan and the strengthening of international cooperation in that area, it was opposed to unilateral interference.

189. The suggestion made by the President of Colombia at the recent session of the General Assembly had opened up new prospects for the multilateral system to eliminate the scourge of drugs, and he trusted that the international community would support the actions that were being implemented in Colombia in the fight against drug trafficking. Many international bodies had made valuable contributions to the crop substitution plan in operation in Colombia which he hoped it would be possible to develop under general agreements between Colombia and UNIDO.

190. Finally, he invited UNIDO to hold the seventh session of its General Conference in Cartagena, Colombia.

PERSONNEL MATTERS (IDB.16/17; IDB.16/CRP.1)

APPOINTMENT OF MANAGING DIRECTORS (IDB.16/25)

191. **Mr. LAESSIG** (Director, Personnel Services), introducing item 13 ("Personnel matters"), said that document IDB.16/17 provided information on the completion of the scheme of separation of personnel, the composition of the Secretariat and other personnel matters. While only 13 staff members' appointments had had to be terminated under the non-voluntary phase of the staff reduction programme, a further four staff members' appointments would be terminated at the end

of their assignment to peace-keeping missions if no alternative employment possibilities arose. That represented only 9.5 per cent of the 179 staff separations effected under the staff reduction programme or arising from natural attrition between 31 December 1995 and 1 August 1996. As shown in table 1 of document IDB.16/17, the highest percentages of staff departures had occurred among General Service personnel in the Division of Administration.

192. The Secretariat intended to report regularly to the Board variations since 31 December 1995, i.e. the end of the previous biennium, with a view to monitoring the evolution of the gender and nationality mix. Table 2 showed that staff numbers had decreased by 21 per cent in the General Service category and by 11 per cent in the Professional category, meaning additional promotion opportunities for more junior staff. During the voluntary phase of the staff separation programme, relatively more female than male staff had left the Organization, female representation having fallen by 1 per cent.

193. Table 3 indicated reductions in Professional staff in posts subject to geographical distribution, by regional grouping. The number of such staff members in lists A and C combined had decreased by 13.7 per cent, in list B by 8.5 per cent, and in list D by 5.9 per cent. The average reduction between 31 December 1995 and 1 August 1996 was in the region of 10 per cent.

194. The Secretariat was redoubling its efforts to compensate for the high losses in posts subject to geographical distribution involving nationals of countries in lists A and C, and also to achieve a better geographical balance in the future. As stated in the report of the Director-General to the Board at its fifteenth session (IDB.15/4), the revised informal desirable ranges of representation would be followed as from January 1997. The Board would be provided at its next session with updated information on geographical representation, including the results of a recruitment campaign aimed at improving the representation of nationals from unrepresented and underrepresented Member States, in particular from lists A and C.

195. Chapter III of document IDB.16/17 referred to the introduction of the new staff performance evaluation system, which involved three main phases. The first phase had been completed, the second was in process of completion, and the third was expected to be completed in February 1997. The system was a major management tool, which had already shown encouraging results with regard to communications, the team approach, and the strengthening of linkages between individual objectives, unit objectives and corporate goals.

196. The new placement and promotion system had now been introduced. Also, considerable progress had been achieved in simplifying procedures, delegating and decentralizing personnel authority, and pursuing a customer-friendly approach to the provision of personnel services. Further details were to be found in paragraph 58 of document IDB.16/18.

197. Document IDB.16/CRP.1, listing the Secretariat staff as at 1 November 1996, was an update of the list issued at the last Board session. Annex II (pages 21 and 22), showing field office representation, now included all country office staff excluding project personnel. Annex VI (pages 31 to 39) indicated the staff in decreasing grade order and alphabetically within each grade.

198. **Mr. BOURITA** (Morocco), referring to agenda item 14, proposed that the deliberations on the item be deferred until the next day, since consultations which had a direct bearing on the course of those deliberations were in progress and were expected to be completed by then.

199. *It was so decided.*

200. **Mr. AL-GHAIS** (Observer for Kuwait), speaking on behalf of the Arab Group, said that the Arab States had proposed a number of highly qualified candidates, both men and women, for posts in UNIDO. However, the promises made had so far not been reflected in concrete action. In the Arab Group's view, its representation in the Secretariat was not on the scale that it merited or at a level compatible with its contribution to the budget; nor did it take into account the principle of geographical distribution or the policy of increasing the representation of women.

201. The post of Director of the Arab Countries Bureau had remained vacant for some time despite the submission by the Arab States of a number of candidatures of highly qualified persons with considerable experience. The Arab Group hoped that the position would be filled as soon as possible and that the Director-General would take steps to improve the representation of the Arab countries in UNIDO posts, particularly at the higher levels.

202. **Ms. PRIANSARI** (Indonesia), referring to recent developments in relation to the reform of personnel policies, as reported in document IDB.16/17, said that Indonesia welcomed the introduction, in January, of the new staff performance evaluation system. It believed that the new system would enhance managerial effectiveness and accountability, and would in turn improve the performance of UNIDO in discharging its mandate.

203. Regarding the composition of the Secretariat, her delegation wished once again to underline the importance of recruiting staff on the basis of the well-established international civil service recruitment policy, i.e. according to the principle of rotation allowing for equitable geographical distribution.

204. **Mr. TOOTOONCHIAN** (Islamic Republic of Iran) said that, despite the Director-General's assurances that due regard would be paid to the principle of equitable geographical distribution in the Secretariat within the context of the reform process, as noted in decision IDB.15/Dec.9, the composition of the Secretariat, as shown in tables 2 and 3 of document IDB.16/17, revealed a disproportionate reduction in Professional staff members from States in lists A and C, which had already been underrepresented. His delegation hoped that the impact of the reform process would enable the Director-General to announce an improvement in the situation at the next Board session.

205. The recent increase in the number of Member States, coupled with a 25 per cent decrease in posts, should have resulted in a reduction in the upper limit of the desirable ranges for some countries. Unfortunately, there had still been no change in the number of staff from some countries where the upper limit of the desirable range had always been exceeded. To maintain such a situation, with many developing countries unrepresented or underrepresented, was not in keeping with the Constitution or with many other resolutions and decisions adopted.

206. Concerning the recruitment of staff, his delegation appreciated the Secretariat's efforts to attract qualified candidates from industry-related organizations and by circulating vacancy announcements using electronic mail. As a result of such measures, the Organization had, according to document IDB.16/18, received over 90 official applications for three positions, between 52 and 75 per cent of such applications having come from developing countries. That would give the Organization ample opportunity to increase the representation of more Member States in the Secretariat and to maintain an adequate regional balance.

207. With regard to the streamlining of the selection procedure for new staff, as described in document IDB.16/18 (paragraphs 38 and 39) and in other reports and bulletins on personnel issues, his delegation felt that the establishment of, *inter alia*, different placement and promotion procedures, a core group and a recruitment and staff development section would only serve to complicate the system. In order to eliminate any possible duplication of functions in the system, particular importance should be attached to harmonizing the activities of the various sections.

208. **Mr. ZAIDE** (Philippines) said that his delegation wished to associate itself with the desire consistently expressed by the Group of 77 for greater and appropriate representation and participation of the developing countries, particularly unrepresented States, in UNIDO.

209. **Mr. HALIM MOHAMED** (Sudan) said that many speakers at the current session had expressed the view that advantage should be taken of the reform and restructuring of UNIDO in order to re-establish a balance in the composition of the Secretariat, particularly with regard to the representation of the developing countries. The same applied to the question of gender balance. The representatives of the Arab and African Groups had noted with concern that the situation had not only failed to improve but had in fact deteriorated. He wished to appeal to the Director-General, as the person responsible for the appointment of new staff members, to study all the candidatures submitted to him and to ensure that every effort was made to achieve an equitable geographical distribution of posts as soon as possible. The Director-General had already carried out extensive consultations with the regional groups concerned and been apprised of the views of the Ministries of Industry of the Arab countries.

210. His delegation noted that some States Members of the United Nations were not Members of UNIDO and that some States Members of UNIDO were expected to cease to be so, yet those countries were well represented in the Secretariat. Perhaps some thought should be given to that situation, with a view to adjusting regional representation.

211. **Mr. DE MARIA Y CAMPOS** (Director-General) said that, while he realized that the issues of geographical and gender representation were very important for Member States and called for urgent attention, his task had been rendered difficult by the reduction of the budget and the freezing of many posts owing to non-receipt of payments. His first obligation was to ensure that staff members at whatever level met the necessary requirements for the post and possessed the necessary skills and moral character. However, within those requirements, he took due account of the question of geographical and gender representation.

212. It was his aim to increase the participation of women in the Organization. The fact that there had been only a slight overall change—1 per cent—in the representation of women following the large reduction in personnel was not due to coincidence or accident but was a consequence of a deliberate policy pursued. On the one hand, throughout the staff reduction exercise, he had endeavoured to retain women staff members, particularly from unrepresented or underrepresented countries. On the other hand, with regard to recruitment,

despite all the efforts made by the Secretariat, very few applications for vacant posts were received from female candidates.

213. The lack of women candidates was also a problem in regard to the representation of the Arab States in the Organization. However, an Egyptian woman had recently been appointed in the Industrial Sectors and Environment Division and other female candidates were currently under consideration for possible recruitment. While virtually all regions had suffered the effects of the staff reduction exercise, the Arab region had hardly been affected. Particular attention was being paid in the recruitment process to ensuring an increase in the participation of unrepresented countries, for example the Gulf States, and of countries whose nationals had recently had their appointments terminated.

214. Concerning the post of Director of the Arab Countries Bureau, it was true that many candidatures had been received and extensive consultations had been held. While it had been argued that a non-Arab national might occupy that position, he and, he believed, most Arab States were opposed to such an approach, which would be contrary to the tradition established for all heads of the regional bureaux. He expected that the Appointment and Promotion Board would meet within the coming weeks to recommend a decision.

215. In conclusion, he was committed to increasing the participation of unrepresented or underrepresented countries in the Organization and hoped that the new recruitment mechanisms and career development philosophy would ensure appropriate representation, both generally and at the various levels of management, within the Organization.

216. **Mr. LAESSIG** (Director, Personnel Services) said that he wished to assure all Member States of the commitment of UNIDO's management to a proper geographical distribution of posts. It was a question not so much of numbers and percentages, but rather of the quality of the programmes delivered by the Organization.

217. One major change in staff policy had been the introduction of the notion of managerial accountability, and the staff performance evaluation system would include an assessment of the degree of managers' achievement of nationality and gender targets.

218. In 1995, the Director-General had issued a bulletin establishing a combined placement and recruitment target of 33 per cent of vacant posts to be filled by women. It was hoped that that step would bring about an improvement in gender balance over time. He recalled the employment target for Professional-level women in posts subject to geographical distribution of 30 per cent, and for senior-level women (P-5 and above) of 15 per cent.

219. On the question of nationality of staff, internal guidelines would be established to increase the appointments of nationals from countries in lists A and C.

220. All those measures could be effective only if staff were actually being recruited. With regard to Professional posts subject to geographical distribution, only one selection committee examining a single vacancy had met since April. However, a number of announcements of vacancies, including posts at the P-3, P-4, P-5 and D-1 levels, had been distributed earlier in the year, and the selection committees would consider the candidatures in December and January. He therefore hoped that it would be possible to announce an improvement in ratios to the Board at its next session.

221. As indicated in document IDB.16/19 on field representation, a core of Professional personnel would be built up in the field offices. Those staff members would be administered under the 100 Series Staff Rules, their posts thus being subject to geographical distribution. That would mean an improvement in geographical balance, since several staff from countries in lists A and C would be involved.

222. Steps had been taken to advertise vacancies on a commercial basis in economic publications and other specialized journals, as well as by the use of electronic mail. A review of recruitment rosters had been initiated taking account of the aspects of nationality mix and gender, in order to achieve a good balance.

223. A number of persons had been appointed to posts not subject to geographical distribution, where gender and nationality balance was encouraging. Those persons might eventually be considered for regular appointments, which would help to improve the balance.

224. With regard to one delegation's comments concerning possible complications stemming from the new placement and promotion system, he wished to emphasize that under the new system, scheduled to take effect next January, staff vacancies would be filled on the basis of competition, and there would accordingly be no regular promotion reviews but rather selection committees. That would enhance the quality of the staff and improve career development.

225. Turning to the point raised concerning a better staffing balance in regard to nationals of States which were no longer Members of UNIDO, the situation had

improved as a result of natural attrition due to the expiry of employment contracts, retirement and other reasons. For example, the number of United States staff members had, since the last report to the Board, fallen from 22 to 18.

226. Finally, he wished to mention that real improvements in recruitment could be achieved only if the Organization's budget could again be increased. That had been the main problem to date.

The meeting rose at 8 p.m.